

**SHRIRO HOLDINGS LIMITED**  
**RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

**HIGHLIGHTS**

- NPAT of \$14.5M, up 9.8% on CY16
- Sales Revenue up 2.6%
- BBQ initiative ‘everdure by heston blumenthal’ continues to track to plan
- Disciplined Operating Expense control assisted an 8.3% increase in EBITDA
- Working capital initiatives and the solid trading performance underpinned strong cash flows, more than halving Net Debt to \$2.0 million
- NPAT represents a 25.3% return on year end Shareholders Funds
- Final dividend declared of 7.0 cents per share, fully franked

<b>RESULTS SUMMARY</b>			
	<b>CY17</b>	<b>CY16</b>	<b>Change</b>
	<b>Reported</b>	<b>Reported</b>	
	<b>\$m</b>	<b>\$m</b>	
Revenue	188.3	183.5	2.6%
Gross Margin	42.3%	42.6%	
Operating Expenses	(55.0)	(55.4)	-0.7%
<b>EBITDA</b>	<b>24.7</b>	<b>22.8</b>	<b>8.3%</b>
Depreciation	(3.8)	(3.6)	5.6%
Interest	(0.5)	(1.0)	-50.0%
Profit Before Tax	20.4	18.2	12.1%
<b>Profit After Tax</b>	<b>14.5</b>	<b>13.2</b>	<b>9.8%</b>

## GROUP PERFORMANCE

Shriro Holdings Limited (“Shriro”) (ASX: SHM) today announced results for the calendar year ended 31 December 2017 with Net Profit after Tax up 9.8% to \$14.5 million. This was generated from sales revenue of \$188.3 million, a 2.6% increase over the prior year. Sales revenue growth was assisted by stronger seasons for Omega Altise products, improved performance from Blanco appliances & Blanco sinks and export sales of ‘everdure by heston blumenthal’ BBQs. These increases were somewhat offset by lower sales of watches and also appliances into the commercial market segment.

Gross Margin for the year was 42.3%. Whilst marginally lower than the previous year, this maintenance was a very satisfactory outcome given the highly competitive market environment for most products and the lower margin percentage (and lower expenses) derived from export sales.

Operating expenses were reduced from the prior year by 0.7%, despite the sales increase. A number of property leases were renegotiated during the year which delivered one-off benefits of around \$1.5m from lease surrenders, with lower rental expense going forward as well. Higher export sales, which attract lower operating costs, also contributed to the tight control over expenses.

The above factors delivered an increase in EBITDA of 8.3% over the previous year, to \$24.7 million and together with lower interest costs, resulted in the 9.8% increase in Profit after Tax.

The Company maintained its strong balance sheet with sound cash flows allowing a reduction in Net Debt from \$5.5 m to \$2.0 m during the year, a 64% reduction and positioning the Company with increased flexibility.

The Directors have declared a fully franked final dividend of 7.0 cents per share, with a record date of 28<sup>th</sup> February 2018 and payable on 16<sup>th</sup> March 2018. This dividend, combined with the interim dividend of 4.0 cents per share paid in September 2017, results in a total dividend of 11.0 cents per share, fully franked, for the year representing a payout ratio of 72 percent.

At the end of the year, Shriro’s Managing Director, Mike Westrup, retired after 26 years’ service, with Tim Hargreaves promoted to the position of CEO to take over from Mike. Discussing the Company’s performance for the year, Tim commented that “given the difficult retail conditions for most of the year, which impacted many product sectors, both the Kitchen Appliances and Consumer Products divisions have performed particularly well and New Zealand operations continued to make a very valuable contribution”.

## **CONSUMER PRODUCTS**

The Consumer Products segment had a generally solid year, with Revenue growing by 3.0% to \$105.0 million. The strong performing categories were BBQs, Omega Altise seasonal products, Pioneer Electronics in New Zealand and Casio keyboards. The remaining product categories under-performed, however not significantly.

Omega Altise cooling benefitted from a late summer heat early in CY17, and an early summer heat later in the year, when retailers were understocked from the previous season. A new range of Casio watches is currently being released which is expected to be well received by the market, following the experience overseas.

Total EBITDA from the Consumer Products segment was \$16.2M (largely reflecting a more subdued market for watches in Australia).

### **BBQs 'everdure by heston blumenthal'**

The BBQ brand 'everdure by heston blumenthal' achieved sales orders from the UK, Germany, The Netherlands, Norway, Denmark, Sweden, Finland and Iceland during the year following a successful launch. The range was also launched in New Zealand. In the USA, Shriro together with major US national retailer Williams-Sonoma Inc., which has 583 stores and a strong e-commerce platform, will launch the brand and products over the next twelve months. Shriro believes that the high quality products proposition of Williams-Sonoma Inc. fits well with the 'everdure by heston blumenthal' brand's positioning. Discussions are also advanced with other USA retailers and sales during 2018 from them are expected.

The 'everdure by heston blumenthal' range has now been awarded five international design awards and the local Choice™ Recommendation Award, winning an award in every category it has been entered into.

## **KITCHEN APPLIANCES**

The Kitchen Appliances segment generated revenue of \$83.4 million, which was 2.3% higher than the prior year. The re-alignment of the sales channel for Blanco appliances towards the end of 2016 contributed to the increased sales in CY17. Omega appliances also had a good year in what proved to be a difficult market, assisted by an energetic market promotion towards the end of the year, based on price and which is continuing.

Blanco retail appliances and Blanco 'sinks and taps' achieved sales growth, reflecting a focus on the home renovation market. The Robinhood product range made sound progress, particularly in the New Zealand market with good market share growth achieved over the past three years. The Robinhood brand also has a strong focus on product development with new and innovative products in the laundry sector planned for launch in CY18.

The Commercial Sales operation, which markets primarily to developers, faced the expected tighter market and sales were 5% below the previous year. Some re-structuring occurred during the period to mitigate the impact of these market changes.

In total, the Kitchen Appliances segment achieved strong EBITDA growth of 28% for the year derived from close management of the volume/GP mix, sales-channel planning and tight control of operating expenses.

## **BALANCE SHEET AND CASHFLOW**

Operating cash flow was strong, reflective of the underlying trading performance and tight control of working capital during the year. Trade debtors control was the main driver, with lower debtors and bad debts resulting. Net Debt reduced significantly, to \$2.0 million from \$5.5 million at December 2016. Shriro's gearing remains low with Net Debt to EBITDA at only 0.1 times.

The strength of the balance sheet is underpinned by both the low level of debt and the absence of Intangibles. This places Shriro in a strong position to take advantage of growth opportunities that present themselves or are identified in the future.

## **OUTLOOK**

Uncertainty around future levels of residential construction, housing values and consumer confidence remains in Australia and this, coupled with Shriro's seasonal sales revenue bias towards the second half of the year, means that visibility on the likely results for CY18 is currently unclear. The renovation market is important to the Kitchen appliance segment particularly and increasing employment levels should assist in underwriting this market. Also, export sales of BBQs are expected to significantly increase in CY18, although from a low base. This will assist results in CY18 and should commence a reduction in the Company's sales bias towards the second half. On the other hand, to ensure the long-term success of the 'everdure by heston blumenthal' global initiative, it will be necessary to invest in significant marketing programs in the northern hemisphere where benefits may take a little time to fully emerge. As a result CY18's NPAT is currently expected to be below CY17 due to a highly competitive market environment and investments for global expansion, in particular launches for the US and German markets.

Following the appointment of and commitment from distributors, major market launches are planned for both Germany and the United States during the year. The development of these new customer relationships is important so as to allow Shriro future leverage from introducing new products later, to achieve increasing export sales. Thus 2018 is considered likely to be largely a year of investment for long-term shareholder returns.

Product development continues as an essential component of Shriro's strategy. The Company has a number of new products planned for launch in 2018 and in particular, the 'everdure by heston blumenthal' BBQ range is to be expanded, with additional products planned for release to the Australian market during 2018.

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#### **ABOUT SHRIRO**

The Group is a leading kitchen appliances and consumer products marketing and distribution group operating in Australia and New Zealand.

The Group markets and distributes an extensive range of company-owned brands (including Omega, Robinhood, Everdure and Omega Altise) and third party owned brands (such as Casio, Blanco and Pioneer). Products include calculators, watches, cash registers, musical instruments, audio products, kitchen appliances, sinks & taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, Hi-Fi/speakers, fashion, lighting, gas heaters, gas barbeques, charcoal barbeques, electric heaters and cooling products.